

Partner's Share of Income Adjustments

ARIZONA SCHEDULE 165 K-1

Instructions

NOTE: *Corporate partners must use Arizona Form 165, Schedule K-1(NR).*

The distributive share amounts from federal Form 1065, Schedule K-1 have been included in the individual partner's Arizona gross income.

Lines 1, 2 and 3 from the federal Schedule K-1 reflect the partnership income which must be adjusted to determine the difference between IRC § 702(a)(8) and ARS § 43-1401.2.

To determine this adjustment, complete lines 1 through 3 of Arizona Form 165, Schedule K-1 and enter the result on the appropriate line of the partner's Arizona return.

The items on federal Form 1065, Schedule K-1, lines 4 through 7 and line 9 should be included in the federal income reported on the Arizona return. Any of these items which are subject to adjustments under ARS §§ 43-1021 and 43-1022 should have already been adjusted on the partnership return. Your pro rata share of these adjustments should already be reflected on line 3 of the Arizona Form 165, Schedule K-1.